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March 23, 2005

Gary M. Jackson
Assistant Administrator for Size Standards
Office of Size Standards
Small Business Administration
409 Third Street, SW
Washington, DC 20416

Re: Proposed Rulemaking Affecting SBIR Funding

Dear Mr. Jackson:

On behalf of Illumina, Inc, of San Diego, CA, I want to thank you for the opportunity to comment on the Small Business Administration's (SBA) Advance Notice of Proposed Rulemaking (ANPRM) regarding the participation of businesses in the SBIR program that are majority-owned by one or more venture capital companies (VCC).

Illumina typifies the small business that the SBIR program was created to help, a small business working to commercialize new technologies. Early in our company's history, we received support from SBIR grants to help develop new microarray and oligonucleotide synthesis technologies. Oligonucleotides are used extensively in the biotechnology industry and in academic and government research laboratories to enable DNA sequencing and the analysis of specific genes. The new oligo synthesis technology we developed with SBIR support has revolutionized the cost structure of oligonucleotide production. We have been able to reduce the price of these essential biotechnology reagents by over half, saving tens of millions of dollars for both private and government funded research and development laboratories.

Along with SBIR funding, our company received crucial financial support from venture capital firms. Without venture capital support we could not have fully commercialized our new technologies. For this reason we believe it is vital that venture-backed small businesses such as ours be allowed to participate in the SBIR grant program. The success of our technologies, backed by both venture and SBIR funding, allowed us to have a successful public stock offering. We are now highly successful with our commercial microarray and oligonucleotide products. We continue to use SBIR grant funding to develop new technologies.

We understand that the 51% Rule now allows an SBIR award recipient to be owned by a VCC, as long as the VCC is itself owned and controlled by U.S. individuals. Applicants who meet the ownership criteria in the 51% Rule, however, are still subject to SBIR size standards, most significantly, limiting the number of employees of the

applicant and its affiliates to 500. The SBA is now seeking comment as to whether VCCs should be excluded from this definition of affiliate when determining small business eligibility for the SBIR program.

While we applaud the SBA's recognition in the 51% Rule that a business concern can be technically both majority-owned by VCCs and still eligible to receive an SBIR award, it does not fully accomplish the goals of the Small Business Innovation Development Act (SBIDA), since the majority of limited partners in a VCC are not individuals, even if in such cases, as in pension funds, they represent the interests of individuals. We believe that a pragmatic framework that reasonably allows VCC-financed small businesses to receive SBIR grants is still several steps away. **We believe that the SBA should (1) provide an exclusion from affiliation with VCCs in determining small business eligibility and (2) further extend an exception to the 51% Rule to include VCCs in the definition of "individuals."**


In this age of outsourcing jobs overseas, it is important for our economy that small businesses are given every opportunity to commercialize new technologies and create jobs in the U.S. The symbiotic relationship between public and private investment in small businesses through venture capital funding and SBIR grants provides the U.S. economy a competitive advantage over that of other countries.

We appreciate the opportunity to comment on this important matter.

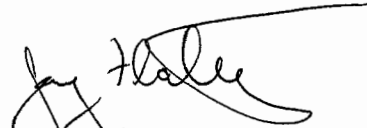
Sincerely,



David L. Barker, CSO
Illumina, Inc.



John Stuelpnagel, COO



Jay Flatley, CEO